



MARULENG LOCAL MUNICIPALITY
(Registration number LIM 335)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Maruleng Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Nature of business and principal activities	South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Mayor	Cllr HM Thobejane
Chief Whip	Cllr ML Mongadi
Speaker	Cllr MJ Mahlo
Councillors	Cllr HM Thobejane (Mayor) Cllr MJ Rakgoale (Exco Member) Cllr NV Lewele (Exco Member) Cllr MR Maakamela (Exco Member) Cllr PE Shai (Exco Member) Cllr ML Mongadi (Chief Whip) Cllr Cllr MJ Mahlo (Speaker) Cllr B Mohlabe Cllr DM Sebela Cllr EC Du Preez Cllr JT Morema Cllr LV Shaa Cllr MA Mathaba Cllr MD Popela Cllr MF Madike Cllr MJ Modiba Cllr MM Komane Cllr MO Mathipa Cllr MR Malepe Cllr MS Kgohloane Cllr MT Mongadi Cllr SC Shokane Cllr SF Mahlo Cllr SL Mkansi Cllr SV Mametja Cllr TD Mogale
Grading of local authority	3
Chief Finance Officer (CFO)	Mr E Makamu (Until 30 June 2017)
Accounting Officer	Ms KV Sithole (Previous) Mr MC Chaamano (Previous) Mr SJ Lethole (Current)
Registered office	Maruleng Municipal Offices 65 Springbok Street Hoedspruit 1380
Business address	65 Springbok Street Hoedspruit 1380

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General Information

Postal address	PO Box 627 Hoedspruit
Telephone Number	015-793 2409
Fax Number	015-7932341
Email Address	Info@Maruleng.gov.za
Bankers	Standard Bank of SA LTD (Primary bank account)
Audit Committee members	Mr L Lankalebalele (Chairperson) Mr K Mosupa Ms M Makhongele

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
VAT	Value Added Tax

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges the ultimate responsibility for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting officer is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the period ending 30 June 2018 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on inter-governmental grants and transfers as well as service charges for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The Accounting Officer further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The annual financial statements set out on pages 5 to 61, which have been prepared on the going concern basis, were approved and signed on behalf of the Municipality by:

Mr SJ Lethole (Current)
ACCOUNTING OFFICER

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits his report under review.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the services to the community, which include refuse removal, traffic services, town planning services, community facility management services, and other general services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 83 512 746 (2016: surplus R 32 563 694).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board (ASB) as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the period under review is set out in the notes to the financial statements.

7. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review was held by:

Name	Nationality
Ms KV Sithole (Previous)	South African
Mr MC Chaamano (Previous)	South African
Mr SJ Lethole (Current)	South African

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Accounting Officer's Report

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
 - Mayor
 - Speaker
 - Executive committee
 - Ordinary councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

L Lankalebalele was the Chairperson of the audit committee. The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

9. Bankers

The municipality banks with Standard Bank of South Africa and Investec bank.

10. Auditors

The Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	27 166	49 153
Receivables from exchange transactions	3	591 705	616 374
Receivables from non-exchange transactions	4	7 107 874	3 780 086
VAT receivable	6	27 092 472	17 610 018
Other debtors	5	2 774 335	1 808 854
Cash and cash equivalents	7	111 829 461	89 542 838
		149 423 013	113 407 323
Non-Current Assets			
Investment property	11	4 425 836	4 425 836
Property, plant and equipment	8	329 772 691	300 697 811
Intangible assets	9	613 258	788 068
Heritage assets	10	222 000	216 000
		335 033 785	306 127 715
Total Assets		484 456 798	419 535 038
Liabilities			
Current Liabilities			
Finance lease obligation	17	190 874	210 008
Trade and other payables from exchange transactions	12	16 768 876	11 534 365
Trade and other payables from non exchange transactions	13	5 341 076	2 422 295
Provisions	15	4 110 813	4 294 776
Unspent conditional grants and receipts	14	-	24 724 375
		26 411 639	43 185 819
Non-Current Liabilities			
Finance lease obligation	17	-	175 516
Provisions - Employee benefit obligations	16	8 085 535	7 065 558
		8 085 535	7 241 074
Total Liabilities		34 497 174	50 426 893
Net Assets		449 959 624	369 108 145
Accumulated surplus		449 959 624	369 108 145

* See Note 35

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	21	1 585 500	1 651 328
Interest received - investment	19	6 784 436	4 400 886
Licences and permits	20	2 526 173	2 521 726
Other revenue	22	2 271 913	2 098 767
Rental of facilities and equipment		307 525	301 877
Service charges	18	3 039 615	2 586 338
Total revenue from exchange transactions		16 515 162	13 560 922
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	61 588 255	32 093 297
Traffic fines	24	932 100	981 800
Transfer revenue			
Government grants & subsidies - Operating	26	94 154 004	100 118 417
Government grants & subsidies - Capital	26	49 660 371	30 068 247
Total revenue from non-exchange transactions		206 334 730	163 261 761
Total revenue		222 849 892	176 822 683
Expenditure			
Employee related costs	27	(50 243 986)	(45 252 894)
Remuneration of councillors	28	(9 367 302)	(9 511 268)
Depreciation and amortisation	29	(16 197 290)	(29 527 976)
Impairment loss/ Reversal of impairments	30	-	(5 428 470)
Finance costs	31	(26 259)	(45 995)
Lease rentals on operating lease		(23 031)	(103 856)
Debt Impairment	33	(18 489 465)	(8 306 887)
Repairs and maintenance		(1 438 179)	(1 373 091)
Contracted services	33	(6 768 979)	(7 894 675)
General Expenses	32	(32 577 445)	(33 553 743)
Total expenditure		(135 131 936)	(140 998 855)
Operating surplus		87 717 956	35 823 828
Loss on disposal of assets	34	(4 205 210)	(107 866)
Loss on fair-valuing of assets	25	-	(3 699 250)
Gains from fair-valuing of assets	25	-	546 982
		(4 205 210)	(3 260 134)
Surplus for the year		83 512 746	32 563 694

* See Note 35

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	340 290 145	340 290 145
Adjustments		
Change in accounting policy	(3 745 694)	(3 745 694)
Balance at 01 July 2015 as restated*	336 544 451	336 544 451
Changes in net assets		
Surplus for the year	32 563 694	32 563 694
Total changes	32 563 694	32 563 694
Opening balance as previously reported	372 853 835	372 853 835
Correction of errors	(6 406 957)	(6 406 957)
Restated* Balance at 01 July 2016 as restated*	366 446 878	366 446 878
Changes in net assets		
Surplus for the year	83 512 746	83 512 746
Total changes	83 512 746	83 512 746
Balance at 30 June 2017	449 959 624	449 959 624
Note(s)	Correction of prior year errors ³⁵	

* See Note 35

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Service charges		3 763 210	2 917 069
Property rates		40 104 050	23 826 686
Grants and subsidies		119 090 000	149 875 000
Traffic fines		207 650	197 794
Other receipts		3 633 949	6 753 871
		166 798 859	183 570 420
Payments			
Employee costs		(49 407 975)	(43 648 369)
Suppliers		(32 631 315)	(39 268 661)
Remuneration of councillors		(9 367 302)	(9 511 268)
Other payments		(10 470 966)	(10 728 236)
		(101 877 558)	(103 156 534)
Net cash flows from operating activities	36	64 921 301	80 413 889
Interest revenue/ interest received		6 784 436	4 400 886
Interest paid		(26 259)	(45 995)
Net cash from operating activities		71 679 478	84 768 780
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	8	(49 304 147)	(52 291 303)
Proceeds from sale of property, plant and equipment	8	1 568	-
Net cash flows from investing activities		(49 302 579)	(52 291 303)
Cash flows from financing activities			
Finance lease payments		(90 276)	(207 552)
Net increase/(decrease) in cash and cash equivalents		22 286 623	32 269 925
Cash and cash equivalents at the beginning of the year		89 542 838	57 272 913
Cash and cash equivalents at the end of the year	7	111 829 461	89 542 838

* See Note 35

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Statements of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue by source						
Service charges-refuse revenue	2 694 675	326 421	3 021 096	3 039 615	18 519	
Rental of facilities and equipment	312 977	7 766	320 743	307 525	(13 218)	
Interest earned - external investments	4 485 148	553 145	5 038 293	6 784 436	1 746 143	1
Interest earned - outstanding debtors	327 703	-	327 703	-		2
Fines	315 966	-	315 966	2 271 913	1 955 947	3
Licences and permits	3 034 396	-	3 034 396	2 526 173	(508 223)	4
Agency services	2 196 574	-	2 196 574	1 585 500	(611 074)	5
Other revenue	1 509 474	50 490	1 559 964	-	-	
Gains on disposal of PPE	3 700 000	(1 200 000)	2 500 000	-	(2 500 000)	6
Total revenue (excluding capital transfers and contributions)	18 576 913	(262 178)	18 314 735	16 515 162	88 094	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	31 587 190	26 734 083	58 321 273	61 588 255	3 266 982	
Traffic fines	-	-	-	932 100	932 100	
Transfer revenue						
Government grants & subsidies - Operating	94 154 000	-	94 154 000	94 154 004	4	
Government grants & subsidies - Capital	47 918 000	1 742 371	49 660 371	49 660 371	-	
Total revenue from non-exchange transactions	173 659 190	28 476 454	202 135 644	206 334 730	4 199 086	
Total revenue	192 236 103	28 214 276	220 450 379	222 849 892	4 287 180	
Expenditure by type						
Employee related costs	(50 489 061)	(1 199 074)	(51 688 135)	(50 243 986)	1 444 149	
Remuneration of councillors	(9 831 891)	511 247	(9 320 644)	(9 367 302)	(46 658)	
Depreciation and amortisation	(33 080 278)	(3 000 000)	(36 080 278)	(16 197 290)	19 882 988	8
Finance charges	(74 340)	-	(74 340)	(26 259)	48 081	9
Lease rental	-	-	-	(23 031)	(23 031)	
Debt impairment	(4 550 000)	(8 854 379)	(13 404 379)	(18 489 465)	(5 085 086)	7
Other materials	(3 374 371)	50 000	(3 324 371)	(1 438 179)	1 886 192	10
Bulk purchases	(940 129)	(391 690)	(1 331 819)	-	1 331 819	
Contracted services	(8 244 328)	960 402	(7 283 926)	(6 768 979)	514 947	
Loss on disposal of assets	(328 374)	(8 761 626)	(9 090 000)	-	9 090 000	12
Other expenditure	(37 390 546)	(136 975)	(37 527 521)	(32 577 445)	4 950 076	11
Total expenditure	(148 303 318)	(20 822 095)	(169 125 413)	(135 131 936)	33 993 477	
Surplus/ (Deficit)	43 932 785	7 392 181	51 324 966	87 717 956		
Surplus/ (Deficit)	-	-	-	(4 205 210)	(4 205 210)	
Surplus/ (Deficit) for the year	43 932 785	7 392 181	51 324 966	83 512 746	32 187 780	

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	43 932 785	7 392 181	51 324 966	83 512 746	32 187 780	

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	62 381 740	19 746 303	82 128 043	111 829 461	29 701 418	1&2
Other debtors	8 950 000	-	8 950 000	2 774 335	(6 175 665)	
Inventories	86 700	(20 000)	66 700	27 166	(39 534)	5
Receivables from exchange transactions	-	-	-	591 705	591 705	
Receivables from non-exchange transactions	7 100 000	(2 691 677)	4 408 323	7 107 874	2 699 551	3
VAT receivable	-	-	-	27 092 472	27 092 472	4
	78 518 440	17 034 626	95 553 066	149 423 013	53 869 947	
Non-Current Assets						
Investment property	4 183 574	242 262	4 425 836	4 425 836	-	
Property, plant and equipment	337 992 854	(16 689 331)	321 303 523	329 772 691	8 469 168	
Intangible assets	740 066	-	740 066	613 258	(126 808)	6
Heritage assets	-	-	-	222 000	222 000	
	342 916 494	(16 447 069)	326 469 425	335 033 785	8 564 360	
Total Assets	421 434 934	587 557	422 022 491	484 456 798	62 434 307	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	190 874	190 874	
Trade and other payables from exchange transactions	12 932 410	-	12 932 410	16 768 878	3 836 468	7
Taxes and transfers payable (non-exchange)	-	-	-	5 341 076	5 341 076	
Provisions	3 310 000	-	3 310 000	4 110 813	800 813	8
	16 242 410	-	16 242 410	26 411 641	10 169 231	
Non-Current Liabilities						
Provisions - Employee benefit obligations	6 678 000	587 557	7 265 557	8 085 535	819 978	
Total Liabilities	22 920 410	587 557	23 507 967	34 497 176	10 989 209	
Net Assets	398 514 524	-	398 514 524	449 959 622	51 445 098	
Net Assets Attributable to Owners of Controlling Entity						
Community Wealth/ Equity						
Accumulated surplus	398 514 524	-	398 514 524	449 959 622	51 445 098	

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates, penalties & collection charges	29 087 190	4 667 139	33 754 329	40 104 050	6 349 721	1
Service charges	2 144 675	2 397 943	4 542 618	3 763 210	(779 408)	2
Other revenue	7 313 387	(833 387)	6 480 000	6 400 193	(79 807)	
Government grants - Operating	94 154 000	-	94 154 000	94 154 004	4	
Government grants - capital	29 418 000	-	29 418 000	24 935 996	(4 482 004)	
Interest	4 485 148	803 145	5 288 293	6 784 436	1 496 143	3
	166 602 400	7 034 840	173 637 240	176 141 889	2 504 649	
Payments						
Suppliers and employees	(109 013 917)	(1 079 517)	(110 093 434)	(101 194 416)	8 899 018	4
Finance costs	(74 340)	-	(74 340)	(26 259)	48 081	5
	(109 088 257)	(1 079 517)	(110 167 774)	(101 220 675)	8 947 099	
Net cash flows from/ (used) operating activities	57 514 143	5 955 323	63 469 466	74 921 214	11 451 748	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	3 700 000	-	3 700 000	-	(3 700 000)	6
Purchase of property, plant and equipment	(68 884 000)	(2 000 000)	(70 884 000)	(52 441 156)	18 442 844	7
Net cash flows from investing activities	(65 184 000)	(2 000 000)	(67 184 000)	(52 441 156)	14 742 844	
Cash flows from financing activities						
Repayment of borrowings	-	-	-	(194 649)	(194 649)	
Net increase/(decrease) in cash and cash equivalents	(7 669 857)	3 955 323	(3 714 534)	22 285 409	25 999 943	
Cash and cash equivalents at the beginning of the year	18 051 598	71 491 240	89 542 838	89 542 838		
Cash and cash equivalents at the end of the year	10 381 741	75 446 563	85 828 304	111 828 247	25 999 943	

MARULENG LOCAL MUNICIPALITY

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Capital expenditure						
Description						
Roads, pavements and bridges	31 743 799	(1 171 495)	30 572 304	18 119 147	(12 453 158)	1
Street lighting	500 000	-	500 000	-	(500 000)	3
Sports field and stadia	28 449 000	1 742 371	30 191 371	25 317 412	(4 873 960)	-
Community halls	10 707 201	507 030	11 214 231	7 792 106	(3 422 125)	4
Cemeteries	1 200 000	-	1 200 000	-	(1 200 000)	-
Libraries	300 000	-	300 000	-	(300 000)	-
General vehicles	2 000 000	3 000 000	5 000 000	-	(5 000 000)	7
Other	100 000	110 000	210 000	179 414	(30 586)	-
Computers - hardware/ equipment	1 370 000	50 000	1 420 000	69 745	(1 350 255)	-
Furniture and other office equipment	1 446 000	50 000	1 496 000	39 996	(1 456 004)	9
Other - buildings	650 000	25 000	675 000	171 605	(503 395)	10
Other - land	3 000 000	(3 000 000)	-	-	-	-
Other assets	200 000	150 000	350 000	-	(350 000)	12
	81 666 000	1 462 906	83 128 906	51 689 425	(31 439 483)	

Statement of Comparison of budget and Actual Amount- Explanatory Notes

Explanatory notes for variance more than 10%

Statement of Financial Performance

-
- 1. The municipality budgeted interest on investment based on the current budget.
- 2. The budget for 2016/17 for Traffic fines were based on cash basis.
- 3. The budget for interests was based on 2015/16.
- 4. License and permit budget was prepared using 2015/16 actuals.
- 5. Other revenue was prepared using the the previous budget comparison however the building plan is the main contributor.
- 6. Municipal stand were not sold during the year under review.
- 7. Growth of debtors book and unsatisfied payment especially for the farms, led to higher percentage of provision for doubtful debts.
- 8. The decrease in PPE for gravel roads that was removed from assets register led to a decrease in depreciation.
- 9. The budget for finance costs did not take into account lease agreements which were going to expire during the course of the year.
- 10. Repairs and maintenance were done in-house. The municipality is responsible for the purchasing of the materials.
- 11. As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal responsibility in a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not essential.
- service delivery, such as operational programmes.
- 12. Overestimated of budget for 2015/16.

-

- Statement of Financial Position

- 1.00 The municipality did not appoint the service provider on time which led to higher cash flow.
- 2.00 The municipality received R6,7 million interests which lead to a positive cash flow.
- 3.00 Due to the implementation of revenue enhancement strategy, the outcome was a reduction in debtors.
- 4.00 VAT account were not claimed as stipulated.
- 5.00 Adequate controls were in place to keep inventory at low and economic levels.
- 6.00 Over budgeted for heritage asset.
- 7.00 The increase in payable was affected by WIP projects.
- 8.00 under budget of provision.

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Statement of Cashflows

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- 1.00 The municipality appointed the service provider to assist with revenue collection, the budget amount was based on previous year's actuals.
- 2.00 Overstated of refuse budget.
- 3.00 The cash was invested during the year to improve the municipal cash flow, the municipality received interest of 6,7 million which increases the cash investment of the municipality

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
4.00	As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal res					
-	votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service					
5.00	The budget for finance costs did not take into account lease agreements which were going to expire during the course					
-						
-						
-						
	Statement of Capital Expenditure					
-						
1.00	Delay in appointment of service provider for own funding projects.					
2.00	The appointment of service provider for the purchase of street light were not done during the year under review.					
3.00	Delay in appointment of service provider for own funding projects.					
4.00	Delay in appointment of service provider for own funding projects.					
5.00	No appointment were made during the year under review.					
6.00	No appointment were made during the year under review.					
7.00	Overestimated of the budget for market stalls.					
8.00	No appointment were made during the year under review.					
9.00	Delay in appointment of service provider for own funding projects.					
10.00	Delay in appointment of service provider for own funding projects.					
11.00	Delay in appointment of service provider for own funding projects.					
12.00	No appointment were made during the year under review.					

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is either required or permitted by a Standard of GRAP.

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative Information

1.3.1 Current year comparative budget

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

1.3.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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Accounting Policies

1.4 Standards, Amendments to Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

No	Title of Standard	Impact on GRAP Reporting Framework
GRAP 20	Related Party Disclosures	No material impact
GRAP 32	Service Concession Arrangements: Grantor	No material impact
GRAP 108	Statutory Receivables	No impact as no merger is anticipated in the foreseeable future

An effective date is yet to be determined for the other standards by the Minister.

New GRAP standards effective for financial years beginning on or after 1 April 2015.

No	Title of Standard	Impact on GRAP Reporting Framework
GRAP 18	Segment Reporting	No material impact
GRAP 105	Transfer of Functions Between Entities Under Common Control	No impact as the municipality is not a municipality under common control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No impact as no transfer of functions are anticipated in the foreseeable future
GRAP 107	Mergers	No impact as no merger is anticipated in the foreseeable future

New GRAP standards effective for financial years beginning on or after 31 April 2013

No	Title of Standard
GRAP 25	Employee Benefits
GRAP 27	Agriculture
GRAP 31	Intangible Assets
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (Supersedes IGRAP 1 issued 2009)
IGRAP 16	Website Costs

1.5 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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Accounting Policies

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequent measurement - Land

Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Community halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Accounting Policies

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	7 years
Computer software, other	7 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

De-recognition.

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.7 Heritage assets

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

A heritage asset as an asset if:

- a) it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and
- b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

1.8 Investment property

Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Accounting Policies

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.9 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

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Accounting Policies

1.10 Financial instruments

Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities

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Accounting Policies

of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

1.11 Leases

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

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Accounting Policies

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Revenue from exchange transactions

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

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Accounting Policies

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.14 Employee benefits

Short-term employee benefits

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

Post employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

The cost of all short term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related services. The Municipality recognises the expected cost of performance bonus only when the Municipality has a present legal or constructive obligation to make such payments, and a reliable estimate can be made.

Termination benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

MARULENG LOCAL MUNICIPALITY

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Accounting Policies

Long term employee benefits

The Municipality provides long term incentives to eligible employees, payable on completion of years of employment. The liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long term incentives are accounted for through the Statement of Financial Performance.

1.15 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.16 Borrowing

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

1.17 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transactions are transactions that involve the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Key management personnel

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The total cost of all employee benefits, such as short term employee benefits, post-employment benefits, other long term benefits and termination benefits are recognised during the period in which the employee renders the related services.

Employee benefits resulting from related party transaction are expensed in the Statement of Financial Performance in the financial year during which the payment is made or accrued.

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Accounting Policies

1.19 Changes in accounting policies and estimates and prior year errors

Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.20 Significant judgements and estimates

Use of estimates.

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

Other provisions

Pension and other employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Notes 16.

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

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Accounting Policies

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Events after reporting date

Events that occur after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. Inventories		
Raw materials, components	27 166	49 153
2.1 Movement for inventories		
Stationary	(10 680)	(18 468)
Consumables	(11 307)	1 088
	(21 987)	(17 380)
Held for own use with the aim that it should be carried at the lower of cost or current replacement cost. Inventory has not been pledged as security for liabilities.		
3. Receivables from exchange transactions		
Trade debtors	1 895 083	1 868 909
Less: Provision for Doubtful Debts	(3 893 408)	(4 284 809)
Other debtors	2 590 030	3 032 274
	591 705	616 374
Aged debtors		
Refuse and other		
Current (0 - 30 days)	492 350	675 575
31 - 60 days	255 438	300 543
61 - 90 days	231 229	296 028
91 - 120 days	170 464	269 847
120 days +	3 335 633	3 359 190
	4 485 114	4 901 183
Receivables from exchange transactions at 30/06//2017: R R4 485 114 (30/06/2016: R4 901 183).		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	4 284 809	-
Provision for impairment	-	4 284 809
Unused amounts reversed	(391 404)	-
	3 893 405	4 284 809
4. Receivables from non-exchange transactions		
Fines	2 588 735	1 864 285
Consumer debtors - Rates	52 971 518	31 487 313
Debtors for rates and traffic fines	(48 452 379)	(29 571 512)
	7 107 874	3 780 086

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016		
Debtors for rates and traffic fines				
Rates	52 971 517	31 487 313		
Less: Provision for debt impairment	(45 943 643)	(27 790 517)		
	7 027 874	3 696 796		
Debtors for traffic fines				
Debtors for traffic fines	2 588 735	1 864 287		
Less : Provision for debt impairment	(2 508 735)	(1 780 995)		
	80 000	83 292		
Debtors ageing				
Rates				
Current (0 - 30 days)	8 980 789	2 872 836		
31 - 60 days	3 531 866	1 809 772		
61 - 90 days	2 995 276	2 022 249		
91 - 120 days	2 739 178	1 188 365		
120 days +	34 724 408	23 046 782		
Sub-total (rates)	52 971 517	30 940 004		
Debtors not aged: Property rates	-	547 417		
Traffic fines	2 569 533	1 864 285		
	55 541 050	33 351 706		
Receivables from non-exchange transactions at 30/06/2017: R55 541 051 (30/06/2016 : R33 351 706).				
Summary of debtors.				
Summary of debtors by customers classification:				
Rates, traffic, refuse & other				
	Consumers	Industrial Commercial	Government	Total
Current (0 -30 days)	3 253 788	3 406 796	2 812 555	9 473 139
31 - 60 days	1 478 363	1 158 832	1 150 109	3 787 304
61 - 90 days	1 251 336	905 907	1 069 225	3 226 468
91- 120 days	1 085 079	850 671	973 777	2 909 527
120 days +	16 571 750	10 920 444	10 567 999	38 060 193
Subtotal (aged debtors)	23 640 316	17 242 650	16 573 665	57 456 631
Traffic fines (not aged)	-	-	-	2 588 735
	23 640 316	17 242 650	16 573 665	60 045 366
Reconciliation of debt impairment provision				
Balance at the beginning of the year			55 166 176	46 859 291
Adjustments to provision			18 489 465	8 306 885
			72 927 901	55 166 176
Balance at the end of the year			(72 927 901)	(55 166 176)
			-	-

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Rates, traffic fines, refuse & other		
Balance at the beginning of the year	(33 856 322)	(25 549 435)
Adjustments to provision:		
Refuse & other	391 402	(623 095)
Rates	(18 153 126)	(6 114 653)
Traffic fines	(727 740)	(1 569 138)
	(52 345 786)	(33 856 321)

Consists of:		
Refuse & other	(3 893 408)	(4 284 809)
Rates	(45 943 643)	(27 790 517)
Traffic fines	(2 508 735)	(1 780 995)
	(52 345 786)	(33 856 321)

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

5. Other receivables

Other receivables

Other receivables	496 388	481 459
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Inter-municipal receivables

Gross debtors	23 422 304	22 637 207
Provision for debt impairment	(21 309 856)	(21 309 856)
	2 112 448	1 327 351

Deposits

Deposits received	165 499	45
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Reconciliation of debt impairment provision

Inter-municipal debtors

Balance at the beginning of the year	(21 309 856)	(21 309 856)
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6. VAT receivable

VAT	27 092 472	17 610 018
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VAT is accounted for on cash basis.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on floats	710	710
Cash at bank	10 177 296	14 675 109
Call deposits	101 651 455	74 867 019
	111 829 461	89 542 838

The municipality has the following bank accounts:

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Figures in Rand	2017	2016
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	2017	2016
Bank statement balance at beginning of the year	14 256 490	5 711 912
Bank statement balance at the end of the period	9 795 733	14 256 490
Cashbook balance at the beginning of year	14 675 109	5 806 070
Cashbook balance at the end of the period	10 177 296	14 675 109
Standard Bank Account: Call deposit Account - Account number: 038579111-02		
Bank statement balance at the beginning of the period	46 978 308	25 180 754
Bank statement balance at the end of period	71 894 990	46 978 308
Cashbook balance at the beginning of the period	46 978 308	25 180 754
Cashbook balance at the end of period	71 894 990	46 978 308
Investec Bank Account: 32 days notice account - Account number 50005132360		
Bank statement balance at the beginning of the period	27 888 711	26 285 380
Bank statement balance at the end of the period	29 756 466	27 888 711
Cashbook balance at the beginning of the period	27 888 711	26 285 380
Cashbook balance at the end of period	29 756 466	27 888 711
Call deposits Cash balances		
Standard Bank Account	71 894 990	46 978 308
Investec Bank Account	29 756 466	27 888 711
	101 651 456	74 867 019

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Figures in Rand

8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	233 650 053	(76 016 672)	157 633 381	233 839 968	(65 388 033)	168 451 935
Finance Lease assets	662 674	(502 164)	160 510	662 684	(297 375)	365 309
Infrastructure	122 387 181	(28 389 640)	93 997 541	227 815 942	(136 440 404)	91 375 538
WIP	68 380 262	-	68 380 262	30 076 153	-	30 076 153
Library books	225 528	(150 392)	75 136	242 156	(150 104)	92 052
Other Assets	16 234 238	(6 708 377)	9 525 861	16 181 770	(5 844 946)	10 336 824
Total	441 539 936	(111 767 245)	329 772 691	508 818 673	(208 120 862)	300 697 811

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Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Transfers to/ (from)	Disposals	Completed projects (transferred)/ received	Fair valuing of assets	Depreciation	Impairment loss	Total
Land and buildings	168 451 935	6 930	-	-	179 414	-	(10 846 764)	(158 134)	157 633 381
Finance Lease assets	365 309	-	-	-	-	-	(204 799)	-	160 510
Infrastructure	91 375 538	4 040	-	(4 205 210)	10 514 358	-	(3 599 779)	(91 406)	93 997 541
WIP	30 076 153	48 997 881	-	-	(10 693 772)	-	-	-	68 380 262
Library books	92 052	-	-	-	-	-	(13 569)	(3 347)	75 136
Other Assets	10 336 824	293 729	-	(1 568)	-	-	(1 042 769)	(61 922)	9 525 861
	300 697 811	49 302 580	-	(4 206 778)	-	-	(15 707 680)	(314 809)	329 772 691

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Figures in Rand

Reconciliation of property, plant and equipment - June 2016

	Opening balance	Additions/ capital under construction	Disposals	Completed projects (transferred)/ received	Fair valuing of assets	Depreciation	Impairment loss	Total
Land and Buildings	170 292 438	95 851	-	11 765 872	(3 147 637)	(9 627 587)	(927 002)	168 451 935
Finance Lease assets	104 661	481 539	-	-	-	(220 891)	-	365 309
Infrastructure	73 900 178	-	(7 587 781)	45 776 961	1 804 343	(18 149 272)	(4 368 891)	91 375 538
WIP	36 369 179	49 593 503	-	(55 886 529)	-	-	-	30 076 153
Library books	120 057	-	(4 546)	-	-	(23 216)	(243)	92 052
Other Assets	9 484 631	2 562 054	(108 346)	-	11 105	(1 529 092)	(83 528)	10 336 824
	290 271 144	52 732 947	(7 700 673)	1 656 304	(1 332 189)	(29 550 058)	(5 379 664)	300 697 811

Land is valued at fair value as at 30 June 2016.

Valuation details.

The effective date of the valuations was 30 June 2016.

The valuation was performed by an independent valuer, Mr G. Ramovha, who is not connected to the municipality and has experienced and knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions.

Pledged as security

During the financial year ended 30 June 2017, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 084 089	(470 831)	613 258	1 084 089	(296 021)	788 068

Reconciliation of intangible assets - March 2017

	Opening balance	Additions	Amortisation	Total
Computer software	788 068	-	(174 810)	613 258

Reconciliation of intangible assets - June 2016

	Opening balance	Additions	Amortisation	Total
Computer software	773 486	183 100	(168 518)	788 068

Pledged as security

During the 9 months financial period ended 30 June 2017, no components of intangible assets were pledged as security for borrowings or banking facilities.

10. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	222 000	-	222 000	216 000	-	216 000

Reconciliation of heritage assets - June 2017

	Opening balance	Revaluation increase/(decrease)	Total
Heritage assets	216 000	6 000	222 000

Reconciliation of heritage assets - June 2016

	Opening balance	Total
Heritage assets	216 000	216 000

Age and/or condition of heritage assets

Heritage assets consist of Mayoral Chain.

During the financial year ended 30 June 2017, no components of heritage assets were pledged as security for borrowings or banking facilities. No inflow of future economic benefits or service potential associated with the above listed Heritage Assets has been deemed to be probable, as required by GRAP 103.13(b).

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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11. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4 425 836	-	4 425 836	4 425 836	-	4 425 836

Reconciliation of investment property - June 2017

	Opening balance	Fair value adjustments	Total
Investment property	4 425 836	-	4 425 836

Reconciliation of investment property - June 2016

	Opening balance	Fair value adjustments	Total
Investment property	3 930 854	494 982	4 425 836

Investment property is valued at fair value as at 30 June 2016.

The investment property relates to property on land owned by the municipality.

Valuation details.

The effective date of the valuation was 30 June 2015.

The valuation was performed by an independent valuer, Mr G Ramovha, who is not connected to the municipality and has experienced and knowledge regarding the location and category of the property being valued.

The valuation was based on open market value for existing use on the income method (income capitalisation), and the capitalisation rate used was 10%.

The assumptions used to arrive at the fair values were based on current market conditions.

Pledged as security

During the financial period ended 30 June 2017, no components of investment property were pledged as security for borrowings or banking facilities.

12. Trade and other payables from exchange transactions

Trade creditors	568 923	141 909
Accruals	5 094 118	4 435 190
Retentions	9 060 811	6 391 030
Unknown deposits	2 045 024	566 236
	16 768 876	11 534 365

13. Trade and other payables from non exchange transactions

Amounts received in advance	4 435 267	1 634 385
Trade and other payables	905 809	787 910
	5 341 076	2 422 295

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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14. Unspent conditional grants and receipts

Conditional Grants from other spheres of government

Municipal Infrastructure Grant	-	20 242 371
Integrated National Electrification Grant	-	3 438 397
Disaster Fund	-	1 043 607
	-	24 724 375

This highlights the nature and extent of the government grants recognised in the financial statements, indication of the other forms of government assistance from which the municipality has directly benefited, unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note 26 for the reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

15. Employee benefit obligations Short term

The total amounts recognised in the statement of financial position are as follows:

Leave provision	2 401 039	2 744 917
Bonus provision	1 027 272	954 697
Provision for performance bonuses	682 502	595 162
	4 110 813	4 294 776

Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after the reporting date. The performance bonuses are only applicable to directors. In order to qualify for a performance bonus, an employee must have been employed for a minimum period of twelve months.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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16. Provisions - Employee benefit obligations

Amounts recognised in the statement of financial position are as follows:

Long service awards	2 780 932	2 442 777
Post employment medical aid	5 304 603	4 622 781
	8 085 535	7 065 558

Long service awards.

Long service awards relate to the legal obligation to provide long service leave awards.

Actuarial benefits has been performed on all 150 employees as at 30 June 2017 that are entitled to long services awards. The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The unfunded accrual liability at the valuation date is R2 780 932.

The amount recognised in the statement of financial position is as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2 780 932	2 442 777
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Change in the present value of the defined benefit obligation are as follows:

Opening accrued liability	2 442 777	2 230 381
Current service cost	334 623	332 455
Interest cost	209 834	184 372
Actuarial gains and losses	(110 657)	(220 373)
Expected contributions (benefits paid)	(95 645)	(84 058)
	2 780 932	2 442 777

Calculation of actuarial gains and losses

Actuarial losses/ (gains) - obligation	(110 657)	(220 373)
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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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Key assumptions used

Assumption used at the reporting date

Discount rates used	8.76%	8.76%
General salary inflation	6.47%	7.40%
Net discount rate	2.04%	1.27%
Normal retirement age	63	63

Post employment medical aid

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by Arch Actuarial Valuers, an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment

The amount recognised in the statement of financial position is as follows:

Carrying value

Present value of the defined benefit obligation- wholly unfunded	5 304 603	4 622 781
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Change in the present value of the defined benefit obligation are as follows:

Opening accrued liability	4 622 781	3 763 551
Current service cost	554 574	500 340
Interest cost	459 013	360 444
Actuarial gains and losses	(331 765)	(1 554)
	5 304 603	4 622 781

Calculation of actuarial gains and losses

Actuarial gains/ (losses)	(331 765)	(1 554)
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Key assumptions used

Assumption used at the reporting date

Discount rates used	10.09%	9.93%
General salary inflation	7.39%	7.39%
Net discount rate	1.61%	0.96%
Health care cost inflation	8.35%	8.89%
Consumer cost inflation	6.4%	7.37%

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Figures in Rand	2017	2016
17. Finance lease obligation		
Minimum lease payments due		
- within one year	190 874	210 008
- in second to fifth year inclusive	-	175 506
Present value of minimum lease payments	190 874	385 514
Within one year	190 874	210 008
Within two to five years	-	175 516
	190 874	385 524
Current portion of the finance lease liability	-	210 008
Non-current portion of the lease liability	-	175 516
18. Service charges		
Refuse removal	3 039 615	2 586 338
19. Finance income		
Interest revenue		
Interest receivables - external investments	6 784 436	4 400 886
20. Licences and permits		
Traffic learners and drivers' licences	2 526 173	2 521 726
21. Agency fees		
Gross receipts from vehicle licensing	9 148 998	8 728 769
Transfers to Department of Roads and Transport	(7 738 154)	(7 110 282)
	1 410 844	1 618 487
Agency fees from Mopani District Municipality	174 655	32 841
Gross total	1 585 500	1 651 328

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Figures in Rand	2017	2016
22. Other revenue		
Building inspection fee	135 936	89 526
Building plans	756 073	652 572
Certificate of occupancy	128 193	-
Interest on outstanding debtors	268 622	674 457
Library fines	875	643
Library membership fees	3 149	1 105
Membership fees	147	469
Other income	762	3 797
Clearance certificates	156 675	107 170
Penalties	3 947	4 272
Rezoning	37 586	33 027
SETA refunds	-	68 645
Signboards, adverts etc	34 165	15 867
Site development	32 261	18 534
Special consent application	8 850	5 375
Subdivisions	-	830
Swimming pool application fees	36 115	15 149
Tender documents	627 750	380 793
Town planning fees	1 910	24 085
Trading licence fees	37 516	1 385
Valuation certificates	152	305
Zoning certificates	1 229	761
	2 271 913	2 098 767

23. Property rates

Rates received

Property rates	61 588 255	32 093 297
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Valuations

Residential	3 278 729 053	1 743 395 500
Commercial	2 020 064 729	1 259 196 800
State	514 474 300	211 304 000
Agricultural	2 182 760 216	914 856 600
Other	788 897 939	369 728 000
	8 784 926 237	4 498 480 900

The current valuation roll was implemented with effect from 01 July 2012 for the period up to 30 June 2017. Supplementary valuations created additional billing and resulted in an increase of revenue due to the conducting and implementation supplementary valuations. The municipality implemented the supplementary general valuation roll for the period ended 30 June 2016 which led to an increase of debtors book and increase in billing for property rates. The implementation of a new general valuation roll was performed for the 2017/18 financial period.

24. Traffic fines

Traffic fines	932 600	981 800
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25. Fair Value Adjustments

Gains

Investment property	-	494 982
Land	-	52 000
	-	546 982

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Figures in Rand	2017	2016
Losses		
Investment property	-	(3 699 250)
Loss on sale of property, plant and equipment	(4 205 210)	(107 866)
Depreciation on property, plant and equipment	16 197 290	29 527 976

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Figures in Rand	2017	2016
26. Government grants and subsidies		
Operating grants		
Government grant	94 154 004	100 118 417
Capital grants		
Municipal Infrastructure Grant	49 660 371	30 068 247
	143 814 375	130 186 664

Operating grants consist of:

Equitable share	91 329 003	92 441 000
Finance management grant	1 825 000	1 800 000
Municipal systems improvement grant	-	930 000
Disaster	-	347 814
INEG	-	3 561 603
EPWP	1 000 000	1 038 000
	94 154 003	100 118 417

Equitable Share

Current-year receipts	91 329 004	92 441 000
Conditions met - transferred to revenue	(91 329 004)	(92 441 000)
Unspent amount transferred to liabilities	-	-

In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.

Finance Management Grant

Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
Unspent amount transferred to liabilities	-	-

(See note 14).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

Municipal Systems Improvement Grant

Balance unspent at beginning of 9 months	-	24
Current-year receipts	-	929 976
Conditions met - transferred to revenue	-	(930 000)
Unspent amount transferred to liabilities	-	-

(See note 14).

The purpose of the grant is for institutional systems. No funds were withheld or delayed.

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Figures in Rand	2017	2016
Expanded Public Works Programme Grant		
Current-year receipts	1 000 000	1 038 000
Conditions met - transferred to revenue	(1 000 000)	(1 038 000)
Unspent amount transferred to liabilities	-	-

(See note 14).

This grant is used to provide skills and temporary work to unemployed people.

Integrated National Electrification Programme

Balance unspent at beginning of year	3 438 397	-
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(3 561 603)
Balance withheld by national treasury	(3 438 397)	-
Unspent amount transferred to liabilities	-	3 438 397

(See note 14).

This grant is ringfenced for electrification of scortia. The municipality fails to reach the conditions of the grants. National treasury did not approve the roll over of R3 438 397 for INEP grants.

Disaster Fund

Balance unspent at beginning of year	1 043 607	555 421
Current-year receipts	-	836 000
Conditions met - transferred to revenue	-	(347 814)
Balance withheld by national treasury	(1 043 607)	-
Unspent amount transferred to liabilities	-	1 043 607

(See note 14).

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The fund for the value of R1 043 607 for 2015/16 financial period was withheld by National treasury. The municipality fails to meet the grants condition.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of financial year	20 242 371	4 480 618
Current year receipts	29 418 000	45 830 000
Conditions met - transferred to revenue	(49 660 371)	(30 068 247)
Balance unspent at beginning of financial year	-	20 242 371

(See note 14)

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

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Figures in Rand	2017	2016
27. Employee related costs		
Employee related costs - Salaries and wages	35 685 664	31 888 071
Employee related costs - social contributions	8 776 716	7 878 199
Travel, motor car, accommodation, subsistence and other allowances	3 928 370	3 643 969
Long-service awards	444 048	322 162
Housing benefits and allowances	727 366	661 263
Post retirement benefits	681 822	859 230
	50 243 986	45 252 894

Municipal Manager

Annual remuneration	477 273	716 803
Performance and other bonuses	187 650	-
Travel and other allowances	201 988	299 364
Contributions to UIF, medical and pension funds	90 409	255 639
Other benefits and allowance	655 731	-
Payments in lieu of leave	238 448	-
	1 851 499	1 271 806

The post of Accounting officer was acted by four officials during the year under review, (Sithole KV, Mokonyana L, Lethole SJ and Chaamano M). The accounting officer was appointed in March 2017.

Remuneration of chief finance officer

Annual remuneration	753 123	813 032
Travel and other allowances	199 799	165 871
Contributions to UIF, medical and pension funds	97 220	11 349
Payments in lieu of leave	183 132	-
	1 233 274	990 252

The Chief Financial Officer resigned as at 30 June 2017.

Director: Technical Services

Annual remuneration	508 507	634 151
Performance and other bonuses	64 404	-
Travel and other allowances	98 099	130 188
Contributions to UIF, medical and pension funds	185 958	230 200
Payments in lieu of leave	134 768	-
	991 736	994 539

Director: Community Services

Annual remuneration	696 285	503 447
Performance and other bonuses	59 310	41 941
Acting allowance	31 162	70 894
Travel and other allowances	94 799	272 580
Contributions to UIF, medical and pension funds	195 692	173 073
	1 077 248	1 061 935

Director: Spatial Development and Planning

Annual Remuneration	522 679	480 418
Performance and other bonuses	134 635	39 981
Acting Allowance	46 503	124 065
Travel other allowances	313 395	317 874

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Figures in Rand	2017	2016
Contributions to UIF, medical and pension funds	169 307	156 578
	1 186 519	1 118 916

Director: Corporate Services

The position of Director Corporate Services has been vacant during the reporting period.

28. Remuneration of councillors

Remuneration of councillors

Mayor	785 603	775 204
Speaker	631 545	627 278
Executive Committee members	2 091 422	2 226 459
Councillors part time	4 938 588	4 978 864
Councillors full time	920 143	903 463
	9 367 301	9 511 268

Councillors are classified based on their respective positions as at 30 June 2017 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

29. Depreciation and amortisation

Property, plant and equipment	10 846 764	9 622 447
Finance lease assets	204 790	220 891
Infrastructure	3 599 779	17 961 846
Library books	13 569	23 216
Other assets	1 042 769	1 531 058
Intangible assets	174 810	168 518
	15 882 481	29 527 976

30. Impairment loss

Impairments

Property, plant and equipment	158 134	927 002
Infrastructure	91 406	4 417 697
Library books	3 347	243
Other assets	61 922	83 528
	314 809	5 428 470

31. Finance costs

Finance leases	26 259	45 995
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Figures in Rand	2017	2016
32. General expenses		
Advertising	292 114	283 833
Audit fees	2 520 979	2 822 034
Bank charges	237 257	202 130
Bursary Fund	252 403	424 161
Compensation Commissioner	643 439	225 014
Computer expenses	21 350	39 148
Bad debts	4	-
EPWP	945 446	1 112 775
Electricity	1 929 661	1 996 256
Free basic electricity	1 276 122	998 509
Fuel and oil	1 325 511	1 546 893
Functions and events	3 581 568	2 480 617
Insurance	251 232	439 507
Internal Audit	189 837	255 541
Legal expenses	490 111	2 104 043
Membership fees	603 985	520 375
Other	698 794	2 519 629
Printing and stationery	594 748	714 139
Professional fees	7 036 088	6 205 799
Refreshment	169 181	127 934
Stores and material	413 659	728 544
Strategic planning	238 261	536 898
Subsistence, travel & accommodation	5 737 193	6 075 978
Telephone & cellphone costs	474 131	626 566
Training	552 593	492 776
Ward committees	2 101 778	74 644
	32 577 445	33 553 743

33. Contracted services

Refuse removal service costs	3 245 179	3 193 719
Security costs	3 523 800	4 700 957
	6 768 979	7 894 676

34. Gain/ (Loss) on disposal of assets

Loss on disposal of assets		
Property, plant and equipment	4 205 210	107 866

35. Correction of prior year errors

Statement of financial position

Accumulated surplus

Corrections were made and appropriated to the accumulated surplus account for the financial years ended 30 June 2016 and 30 June 2017

Accumulated surplus were affected as follows:

1. Adjustment of rates income previously levied resulted in an adjustment of revenue of R 496 563 (2016)
2. Employee related cost adjustment was made to account for additional expenditure of R (480 289) (2016)
3. General expenditure was adjusted for transaction fees, general expenses and travel claims R (13998) (2016)
4. Asset related adjustment was made to account for asset adjustments of R (6 224 883) (2016) and R (3 745 694) (2015)

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Figures in Rand	2017	2016
Decrease in accumulated surplus	2016	2015
Adjustment of amount previously recognised Employee related cost (2)	(692 685)	-
Adjustment of rates income previously overstated (1)	496 563	-
General expenditure restated (3)	13 998	-
Adjustment of prior year assets (4)	(6 224 833)	(3 745 694)
	(6 406 957)	(3 745 694)
Heading		
Increase in non-current assets		
Increase in property, plant & equipment	6 112 105	3 620 030
Increase in current liabilities		
Increase in trade and other payables from exchange transactions		1
Increase in non-current liabilities		
Increase in long-term obligations to employees	-	1
Heading		
	-	-
Increase in net profit		
Decrease in agency income	-	-
Increase in revenue from property rates:		
Property rates understated 2015 due to changes in property values	-	-
Prior year billing decrease for property rates due to supplementary valuation (1)	(496 563)	-
Overpayment of travel claims (2)	14 929	-
Increase in employee related costs short term obligations for employees (2)	677 756	-
General expenditure adjustments (3)	(13 998)	-
Write back vote incorrectly created as asset and not expenditure on financial system (5)	112 728	125 664
Leave bonus pay out - Modike NA	-	-
Increase in depreciation for 2014/15 leased assets	-	-
Increase in finance costs	-	-
Decrease in lease rental	-	-
Increase in general expenses	-	-
Loss on disposal of Assets	-	-
Net gain from fair value adjustment of assets-		
Fair value adjustment-investment property	-	-
Fair value adjustment -Land 2014/15	-	-
	294 852	125 664

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
36. Cash generated from operations		
Surplus	83 512 746	32 563 694
Adjustments for:		
Depreciation and amortisation	16 197 290	34 956 446
Loss on disposal of assets	4 205 210	107 866
Finance costs	26 259	45 995
Debt impairment	18 489 465	8 306 887
Bad debts written off	-	1
Interest received	(183 963)	(4 400 886)
Movements in retirement benefit liabilities	1 019 977	1 604 526
Surplus/ Loss on asset revaluation	-	3 152 267
Other non-cash items	(15 466 734)	-
Changes in working capital:		
Inventories	(9 457 785)	17 380
Receivables from exchange transactions	24 669	(16 138)
Other receivables from non-exchange transactions	(10 267 629)	(8 734 322)
Other receivables	(7 024 235)	(1 280 930)
Trade and other payables from exchange transactions	5 234 506	3 193 241
Trade and other payables	(6 783 951)	(9 376 287)
Payables from non-exchange transactions	2 918 781	585 819
Unspent conditional grants and receipts	(17 523 305)	19 688 330
	64 921 301	80 413 889

37. Additional disclosures in terms of Section 125 of Municipal Finance

Contribution to SALGA

Council membership fees payable	608 554	520 375
Amount paid current year	(608 554)	(520 375)
	-	-

Audit fees

Current year audit fee	2 520 979	2 822 034
Amount paid current year	(2 520 979)	(2 697 297)
	-	124 737

PAYE & UIF

Current payroll deductions	8 318 637	3 067 878
Amount paid current year	(8 318 637)	(3 067 878)
	-	-

Pension and Medical Aid Deductions

Current payroll deductions	8 916 439	8 223 598
Amount paid current year	(8 916 439)	(8 223 598)
	-	-

VAT

VAT is accounted for on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

38. Councillor's arrears consumer accounts

Councillors do not have services and rates accounts to the municipality.

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Figures in Rand	2017	2016
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39. Commitments

Commitments in respect of capital and current expenditure

Approved and contracted for:

Current	8 091 921	12 704 779
Capital	34 919 007	62 968 518
	43 010 928	75 673 297

The expenditure will be financed from:

Sources

Government grants	5 840 776	50 802 838
Internal sources	37 170 152	24 870 459
	43 010 928	75 673 297

40. Operating leases

The lease agreements for office machines became effective during the financial year 2014/15.

Monthly rentals on office machines which are in the municipality's premises are expensed directly as lease rentals while the process to regularise the agreements is still in progress.

41. Contingent liabilities

Company/ Individual	Nature of the event		
Jacu Craucamp	Dispute on subcontracting	109 075	179 075
Maatjie Plant Hire & Construction	Dispute on subcontracting	213 349	283 349
Wilkes & Others	Claims on the house gutted by fire	3 055 702	3 555 702
Reneitt Wessels	Rent for water line in the complainant's property	-	100 000
DM Mametja	Loss of livestock at the London landfill site	-	380 000
De La Rey	Loss of livestock at the London landfill site Claim on House gutted by fire Suspension for disciplinary hearing proceedings	1 369 390	-
RJ Ramothwala	Suspension for disciplinary hearing proceedings	-	522 000
		4 747 516	5 020 126

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Figures in Rand	2017	2016
42. Unauthorised, irregular, fruitless and wasteful expenditure		
Irregular expenditure		
Opening balance	24 154 592	20 912 705
Irregular expenditure current year:		
Condoned during the year by Council	(2 251 918)	-
Suppliers in the service of the state	-	-
Non compliance with SCM Policy Requirements	-	678 134
Steyn & Clarke	-	354 446
Procurement awarded to supplier (Edward Nathan Sonnenberg) without following competitive bid process	-	446 100
Procurement awarded to supplier (Mohlaba & Moshwana Inc) without following competitive bid process	-	1 169 765
Procurement awarded to supplier (Coetzer & Partners) without following competitive bid process	-	85 591
Procurement awarded to supplier (Adv Phillip Mokoena) without following competitive bid process	-	199 500
Deviation on award made to SA Express without 3 quotations not reported to council	-	277 988
Award made to supplier (Hoedspruit Panel beaters) whose tax matters were not in order	-	30 363
Closing balance	21 902 674	24 154 592
	21 902 674	24 154 592

The balance as at 30 June 2016 was R24 154 592, which included an amount of R3 325 362 which was investigated by MPAC during the financial year 2015/16. The balance as at 30 June 2017 was R21 902 647.

Fruitless and wasteful expenditure

Opening balance	3 402 316	2 974 202
Condoned by Council	(1 146 312)	-
Interest on overdue accounts	-	9 465
Excess expenditure resulting from municipal manager's disciplinary case lasting for more than 3 months	-	418 649
Closing balance	-	3 402 316
	2 256 004	6 804 632

The balance as at 30 June 2016 was R3 402 316, which included an amount of R1 146 312 which was investigated by MPAC during the financial year 2015/16.

The balance as at 30 June 2017 was R3 402 316.

Unauthorised expenditure

Over-spending on the Budget & Treasury vote due to non-cash items (depreciation & debt impairment)	5 085 085	6 807 502
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Figures in Rand	2017	2016
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43. Related party disclosures

During the period under review, in the ordinary course of business, transactions between the Municipality and the under mentioned key management personnel occurred under terms and conditions no more favourable than those entered into with third parties in an arm's length transaction.

Name (Position)		
Ramothwala RJ (Municipal Manager)	484	13 258
Magadani AA (Director Technical Service)	-	14 036
Mokonyane ML (Director Community Services)	48 604	6 098
	49 088	33 392

The amounts as reflected above are in respect of municipal services. For details relating to the remunerations for senior managers refer to Note 27.

Councillors

During the period under review, in the ordinary course of business, no transactions took place between the municipality and its councillors. Refer to Note 28 for details relating to remunerations for councillors.

44. Change in accounting estimates

The remaining useful lives for the components of property, plant and equipment were assessed as at 30 June 2016. The remaining useful life of some assets has decreased while for others it increased. The change in the remaining useful life has no effect on the depreciation charge for the current year but for future years. It is not practical to determine the impact of changes in remaining useful life on depreciation (or surplus) in all the future years. However, a reduction in the remaining useful life of assets will result in increased depreciation charges while an increase in the remaining useful life will lead to reduced depreciation charges in future periods.

45. Change in accounting policies

Property, plant and equipment

There was no change of accounting policy in the period under review.

During the financial year 2014/15 the municipality changed its accounting policy in respect of the valuation of inventory from the first-in-first out to weighted average method. The change was aimed at giving effect to a more relevant and reliable presentation of the value of inventory.

Statement of profit/loss

Increase/ (decrease) in surplus due to (increase)/ decrease in general expenses	-	21 313
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Statement of financial position

Increase/ (decrease) in inventory	-	2 411
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46. Risk management

Interest rate risk

The municipality has no significant interest-bearing assets and as a result there of the municipality's income and operating cashflows are substantially independent of changes in market interest rate.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Maximum credit risk exposure

Receivables from exchange transactions	591 706	616 374
Receivables from non-exchange transactions	7 107 874	3 780 088
Cash and cash equivalents	111 829 461	89 542 838
Other receivables	2 774 335	1 808 855
	122 303 376	95 748 155

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47. Deviation from supply chain management regulations

Regulation 36 of the Municipal SCM Reugation of 2005 provides for deviation from and rectification of minor breaches of procurement processes. The deviation reports includes limited bidding, emergency and urgent procurement as well as avoidable deviations. The following expectiones were recorded for the period under review:

DATE	SERVICE PROVIDER	DESCRIPTION OF GOODS AND SERVICE	AMOUNT	REASON FOR DEVIATION
19/07/2016	Phalaborwa Printers	Request For Order Books	R 9 006.00	The Only Registered Service Providers
20/07/2016	Government Printing Works	Payment For Gazzeting With Governmen	R 8 000.06	The Advert Is Done By Government Printing Only.
21/07/2016	Truvelo Manufactures	Calibration Of Prolazer 3 And 4 Speed M	R 7 127.58	The Only Service Providers For Calibration Of Speed Machines
28/07/2016	Buco	Hardware	R 9 677.00	The Lowest Suppleir Is Not Registered On Csd
05/08/2016	Impsa	Registration For Members	R 14 800.00	The Institute That Runs The Impsa Conference
08/08/2016	Leadeership Academy	Registration For Members	R 12 882.00	The Have Contract With Maruleng Municipality
08/08/2016	Great North Transport	Transport For Womens Day Celebration	R 29 800.00	The Only Service Provides On Our Database
08/08/2016	Great North	Transport To Union Building For Women,	R 29 800.00	Is The Only The Local Transport Company
10/08/2016	Imasa	Registration For Members	R 3 800.00	The Institute That The Runs The Conference
10/08/2016	Sage Vip	Payment For Consultation On The Salary	R 4 361.64	The Have Contract With Maruleng Municipality
11/08/2016	Institute Of Internal Auditors	Registration For Members	R 8 322.00	They Have Contract With Municipality
11/08/2016	Institute Of Internal Auditors	Registration For Members	R 8 835.00	They Have Contract With Municipality
11/08/2016	Institute Of Internal Auditors	Registration For Members	R 8 322.00	They Have Contract With Municipality
11/08/2016	The Institute Of Internal Auditors	Risk Management Training	R 3 135.00	The Institute Is Appointed For Risk Management Services
12/08/2016	Saioosh	Registration For Members	R 775.00	The Institute Have Members In The Municipality
14/08/2016	Imps-Sa	Registration For Conference	R 4 250.00	They Hold The Conference
15/08/2016	Impsa	Registration For Member	R 7 900.00	The Institute That Runs The Conference.
16/08/2016	Buco	Hardware(Locks)	R 836.74	The Lowest Supplier Is Not Registered On Csd
16/08/2016	Sa Express Hoedspruit	Air Transport To Kzn For Mogoboya Ta	R 10 192.52	Is The Nearest Airport
16/08/2016	Great North	Transport To Willows Sports Ground For	R 12 500.00	Is The Only Local Transport Company
19/08/2016	Sa Express Hoedspruit	Air Transport To Cape Town For Ramajel	R 9 423.26	Is The Nearest
19/08/2016	Gardern Court	Accommodation	R 4 200.00	Is The Only Hotel Registered With Csd
22/08/2016	Sun Square	Accommodation	R 4 200.00	Is The Only Hotel Registered With Csd
24/08/2016	Sa Express Hoedspruit	Flight For Mahowa Rhulani	R 10 146.52	Is The Nearest Airport
24/08/2016	Sa Express Hoedspruit	Flight For Mogoboya Tau	R 6 399.06	The Nearest Airport
24/08/2016	Intellegence Transfer Cc	Registration For Conference	R 9 118.83	The Institute That Runs The Conference.
24/08/2016	Nosa	Registration For Cobference	R 13 965.00	The Institute That Runs The Conference.
24/08/2016	Sage Vip	Vip Tax Seminar	R 1 881.00	System Using By Payroll Section
24/08/2016	Imfo	Registration	R 41 439.00	Is The Institute That Is Running The Conference
24/08/2016	Polokwane Royal	Accommodation For Sandiseka ,Mapula /	R 14 250.00	Is The Only Hotel Registered On Csd
24/08/2016	Phalaborwa Printers	Clearence Book For Revenue	R 4 503.00	Is The Nearest Printing Company
25/08/2016	Great North	Transport To Botswana Hall To Attend Cf	R 7 950.00	Is The Only Local Transport Company
26/08/2016	Westvaal Polokwane Trucks	Servicing Waste Truck	R 8 670.25	Is The Nearest Servicing Company
01/09/2016	Great North	Transport To Maruleng Municipality To At	R 8 600.00	Is The Only Local Transport Company
08/09/2016	Bb Ud Tzaneen Pty Ltd	Service For Waste Trucks	R 43 093.15	They Are The Only Service Providers For The Waste Truck
06/09/2016	Great North Transport	Transport For Golden Games	R7 900-00	The Only Bus Depot In Hoedspruit

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06/09/2016	Sa Express	Air Transport For Finance Officials Attend	R62 067.12	The Nearest Airport In Hoedspruit
06/09/2016	Sa Express	Air Transport For Tshifiwa And Gabriel	R 20 689.04	The Nearest Airport In Hoedspruit
15/09/2016	Institute Of Risk Management	Renewal Of Membership	R 1 730.00	They Are The Only Institution For Risk Management
15/09/2016	Institute Of Internal Auditors	Registration For Conference	R 11 799.00	They Are The Only Institute For Internal Auditors
16/09/2016	Build It	Materials To Be Used At The Municipal B	R 6 968.95	The Other Suppliers Who Quoted Are Not On Csd
16/09/2016	Salga	They Run The Conference	R30 000.00	Registration For Members
27/09/2016	Imesa	Registration Of Conference	R 18 750.00	No Imesa Conference In Sa
03/10/2016	Great North	Gender Based Violet Campaign	R 8 600.00	The Only Bus Depot In Hoedspruit
03/10/2016	Katatampela General Construction	Gender Based Violet Campaign	R 14 550.00	The First Supplier Did Not Have Csd So We Awarded The Second Supplie
04/10/2016	Great North	Transport To The Aoks For Mayors Tour	R 24 550.00	Is The Only The Local Transport Company
04/10/2016	Great North	Transport To Hlohlokwe For Gender Base	R 8 600.00	Is The Only The Local Transport Company
20/10/2016	Simpson Motors Tzaneen	Servicing Of Vehicle Cry 258 L Isuzu	R 44 335.80	The Company Situated Next To Hoedspruit That Can Do Service For The
26/10/2016	Itina Trusted Value(Munsoft)	Registration Fee For It Officials Attending	R 12 540.00	Is The End User For Our Municipality
14/11/2016	Maruleng Community Radio Station	Advertisement For Mayoral Imbizo	R 6 000.00	The Only Local Radio Station Station Around Maruleng
29/11/2016	Saqa	Verification Of Qualification For Shortliste	R 25 506.00	The Only Institution In South Africa For Verifying Qualifications
06/12/2016	Great North Transport	Transport For Maruleng Aids Day And To	R 21 506.00	The Only Local Bus Services
16/01/2017	Leadership Academy	Registration Fee For Magoro Mj And Som	R 10 602.00	Is The Subsidiary Of The Institute Of Internal Auditors S.Awhich Is The On
16/01/2017	Leadership Academy	Registration Fee For Magoro Mj And Som	R 10 602.00	Is The Subsidiary Of The Institute Of Internal Auditors S.Awhich Is The On
29/01/2017	Maruleng Community Radio Station	Advertisement Of Go-Loma Morula Event	R 9 750.00	The Only Local Radio Station In Maruleng
31/01/2017	Voltex (Pty) Ltd	Materials For Elictrical Maintance At The	R 29 107.00	Voltex Is The Only Supplier Who Can Procure The Material Before The Of
02/02/2017	Institute Of Internal Auditors	Registration For Members(Mangena Felr	R 9 906.60	Is The Only Castodian For Internal Auditors
08/02/2017	The South African Institue Of Architechtur	Registration For Aubrey Morema Attendin	R 2 200.00	Is The Only Castodian For Architechtuaral Technologists
10/02/2017	The South African Institute Of Architechtu	Registration For Construction Workshop f	R 3 000.00	Is The Castodian For Architechtuaral Technologists
20/02/2017	Institute Of Internal Auditors	Registration For Members(Mnisi Pt And M	R 6 270.00	Is The Only Castodian For Internal Auditors
20/02/2017	Institute Of Internal Auditors	Registration For Members(Mnisi Pt And M	R 8 322.00	Is The Only Castodian For Internal Auditors
24/03/2017	Sage Sa	Registration For Ms Gouws A And Ms Ser	R 10 100.40	Has A Contract With Maruleng Municipality To Provide Payroll Training
03/04/2017	Leadership Academy	Registration Fee For Magoro Mj And Som	R 10 602.00	Is The Subsidiary Of The Institute Of Internal Auditors S.A Which Is The O
03/04/2017	Leadership Academy	Registration Fee For Magoro Mj And Som	R 10 602.00	Is The Subsidiary Of The Institute Of Internal Auditors S.A Which Is The O
20/04/2017	Great North Transport	Transport For Dept Of Planning ,Minitorin	R 23 150.00	Great North Transport Is The Only Service Provider For Buses In Our Date
30/4/2017	Postnet	Courier To Send Promotional Material For	R 4 081.00	Only Courier Company In Hoedspruit
15/05/2017	Institute Of Internal Auditors	Registration For The Following Officials.M	R 7 700.00	The Institute Have Contract With The Municipality
16/05/2017	Institute Of Internal Auditors	Registration For The Following Official.Sc	R 4 902.00	The Institute Have Contract With The Municipality
17/05/2017	Institute Of Internal Auditors	Registration For The Following Official Ph	R 4 902.00	The Institute Have Contract With The Municipality
19/05/2017	Great North Transport	Transport For Dept Of Planning ,Minitorin	R 5 200.00	Great North Transport Is The Only Service Provider For Buses In Our Date
15/06/2017	Impsa	Registration For Ms.Ntimane FI And Ms. f	R 600.00	Impsa Is The Only Institute Offering The Training
15/06/2017	Sage Vip	Appointment Of Service Provider To Split	R 40 043.64	Sage Vip Is The Only Service Provider To Split The Company In Premier f
15/06/2017	Sage Vip	Payment For Vip And Payroll Staff	R 11 727.41	They Have Contract With Maruleng Municipality
23/12/2016	Provision Of Refuse Collection Services	Nweti Wa Tilo T/A Daily Double 386 Cc	R 168 285.10	Emergency Procurement As The Municipal Truck Was At Bb Motors For R

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48. Events after the reporting date

There were no significant reportable events after the reportable date.

49. Annexures on commitments

Current commitments Description	Name of Companies	Total amount per month	Contract amount	Expenditure from beginning of the contract to June 2016	Accrual	Commitment amount till end of the contract
Review of land use management	Pfukani Kusile Consulting	-	855 000	670 000	-	185 000
Wastage removal	N'weti Wa Tilo	-	8 038 120	7 745 421	-	292 699
Security services	Nhluvuko Security	-	9 061 536	-	-	9 061 536
Completion of GRAP asset register	Rennaisance Advisory Group	-	1 500 240	-	102 920	1 397 320
Rezoning of K2C and transfer of parks	K2014003156 (SA)	-	180 120	-	-	180 120
Review of financial statements	Sizwe Ntsaluba Gobodo Inc	-	60 861	-	-	60 861
Year end stores and materials valuation	Shumba Inc	-	150 000	-	-	150 000
Debtors assessment and provision for bad debts	KPMG Services	-	40 230	-	-	40 230
Insurance	Lateral unison	-	567 993	-	-	567 993
Review of disaster management	Vutsila Consulting	-	241 900	-	-	241 900
Cash in transit services	Fidelity	5 643	67 716	30 596	-	37 120
Demarcation of 300 sites at Willows village	Mavona & Associates Development Consultants	-	490 000	-	-	490 000
		5 643	21 253 716	8 446 017	102 920	12 704 779

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Capital commitments	Contractor name	Appointment amount	Payments	Retention	Accrual	Balance
Project name & type						
Indoor sports (Consultant)	Dane Projects	9 628 889	5 093 093	-	-	4 535 797
Indoor sports (Contractor)	Mpfumelelo Business Enterprise	43 455 238	12 585 648	1 364 913	745 186	28 759 491
Rehabilitation(Contractor)	Silver Solutions 884	5 305 913	5 062 696	241 565	-	1 652
Rehabilitation(Consultant)	Ryntex Consulting Engineers Pty Ltd	1 052 017	927 408	-	-	124 609
Branding of Hoedspruit town (Contractor)	Koshiline Multi Trading	1 205 000	697 954	77 550	-	429 495
Branding of Hoedspruit town (Contractor)	Koshiline Multi Trading	1 500 000	1 350 132	150 015	-	(147)
Electrification of Scotia (Consultant)	Morwa- Motsho Consulting	488 733	276 545	-	-	212 189
Electrification of Scotia (Contractor)	Madz electrical	4 526 465	2 956 553	328 506	-	1 241 406
Ballon Access Road (Consultant)	Nemorango Consulting Engineers	449 670	440 856	-	-	8 814
Turkey 3 community hall (Consultant)	Lwazi Engineering 16 CC	665 837	298 298	-	-	367 539
Turkey 3 community hall (Contractor)	Kanata Trading and Project	5 349 213	1 938 082	159 941	-	3 251 189
Hlohlokwe Access Road (Contractor)	LEB P Construction	4 808 001	2 273 710	223 059	-	2 311 233
Hlohlokwe Access Road (Consultant)	Modiro Consulting	3 414 919	3 045 535	-	-	369 384
Hlohlokwe Access Road Phase 2 (Contractor)	LEB P Construction	3 089 805	2 922 806	153 832	-	13 167
Metz internal street (Consultant)	NFM Multi Consulting	2 137 785	1 865 009	-	-	272 775
Metz internal street (Contractor)	Zacks Business Enterprises	5 986 875	5 986 140	-	-	735
Metz internal Phase 2 (Contractor)	Silver Solutions 884	6 638 100	3 318 972	165 920	-	3 153 208
Maruleng low level bridges (Consultant)	Sky High Consulting	952 633	834 549	-	-	118 084
Maruleng low level bridges (Contractor)	Solidarity Developers	6 511 661	6 416 286	320 814	-	(225 439)
Moshate Hall (Contractor)	Nandzu Trade & General Projects	5 721 051	5 434 233	286 012	-	806
Moshate Hall (Consultant)	Mont Consulting Engineers	1 329 456	1 329 455	-	-	1
Turkey 2 Access Road (Consultant)	Sky High Consulting	1 634 522	1 634 474	-	-	48
Turkey 2 Access Road (Contractor)	Zacks Business Enterprises	9 457 946	8 827 424	471 025	-	159 497
Butswana Community Hall (Consultant)	Wanthla Architects CC	868 917	868 913	-	-	3
Butswana Community Hall (Contractor)	Seemo Construction CC	5 799 534	5 509 557	289 977	-	-
Sofaya Access Road (Consultant)	NFM Multi Consulting	1 014 875	761 156	-	-	253 719
Sofaya Access Road (Contractor)	Zacks Business Enterprises	6 394 661	4 963 217	548 729	-	882 714
Sedawa Access Road (Consultant)	NFM Multi Consulting	1 992 603	1 868 065	-	-	124 538
Sedawa Access Road (Contractor)	Moepeng Trading 40	5 873 640	5 575 092	298 548	-	-
Sedawa Access Road Phase 2 (Contractor)	Moepeng Trading 40	4 960 870	573 533	63 726	-	4 323 611
Bochabelo Hall (Consultant)	Ryntex Consulting Engineers Pty Ltd	637 901	483 128	-	-	154 773

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Bochabelo Hall (Contractor)	Kanati Trading & Projects	5 151 894	-	-	-	5 151 894
Willows Sport Centre (Consultant)	TM Afrika Engineering	2 207 199	1 604 099	-	-	603 100
Willows Sport Centre (Contractor)	Mosike JV Rurafo Enterprise	6 161 145	901 352	100 150	-	5 159 643
Kampersrus Street Paving (Contractor)	Lousuz Civil Construction	792 152	313 033	34 781	-	444 338
Finale Access Road (Consultant)	Maruputlela Consultancy	394 634	393 974	-	-	660
Makgaung Access Road (Consultant)	Morula Consulting & Project	501 600	478 834	-	-	22 766
Lorraine Access Road (Consultant)	TM Afrika Engineering Services	434 669	379 500	-	-	55 169
Kanana to Mahlomelong Access Road (Consultant)	Morula Consulting & Project	410 400	407 163	-	-	3 237
Maruleng low level bridges (Consultant)	Tshatshu Consulting	338 788	-	-	-	338 788
Hoedspruit market stalls (Contractor)	Nandzu Trade & General Projects	204 532	-	-	-	204 532
Supply and delivery of air conditioners (Contractor)	Mogwasha Electrical	139 500	-	-	-	139 500
Supply and delivery of skip bins (Contractor)	I'bini Pty Ltd	641 045	-	-	641 045	-
Supply and delivery of office furniture (Contractor)	Moborotho trading enterprise	153 330	-	-	153 330	-
		170 383 618	100 596 474	5 279 063	1 539 561	62 968 518

Nature	Amount
Land and buildings	48 188 767
Infrastructure (roads)	14 640 251
Other capital expenditure	139 500
	62 968 518